Though the Subsidy was fixed at Rs. 35 lakhs, it was not levied at the enhanced rate till 1896, in view of the crippled financial condition of the State as a result of the great famine of 1877-78. Since the year 1896, however, the subsidy has been demanded and paid in full.

In January 1893, Sir K. Seshadri Iyer submitted a representation to the Government of India urging that the enhancement of subsidy which was to come in effect in 1896, might be abandoned and that Mysore might be permitted instead to furnish two cavalry regiments for Imperial Service. This proposal did not, however, receive the approval of the Government of India (Resident's D.O. letter dated the 7th May 1893 to the Dewan).

In July 1895, Sir K. Seshadri Iyer again submitted a Memorandum pointing out the inexpediency of levying the enhanced subsidy, but the Durbar were informed (Residency letter No. 4780, dated 2nd December 1895) that "The Government of India, although desirous of treating the Mysore State with the utmost consideration, see no reason to further postpone the enhancement of the subsidy to Rs. 35 lakhs" which they accordingly decided to levy from 1st April 1896.

An appeal against this decision was preferred to the Secretary of the State for India but he found no reason to modify his concurrence with the decisions arrived at by the Government of India (Residency letter No. 2267, dated 27th May 1897).

The annual subsidy of Rs. 35 lakhs which Mysore pays is by far the largest tribute received by the British Government from any Indian State, as will be seen from the following statement.

The subsidy compared with tributes paid by other Indian States.

No.	Names of States	Tributes
1	Mysore	Rs. 35,000,000
2	Baroda	„ 4,02,000
3	Indore	„ 5,950
4	Travancore	„ 7,96,800
5	Cochin	„ 2,00,230
6	Kashmere	Five Shawls

It is clear from the above statement that Mysore which is by no means the largest or the most populous State in India, pays the heaviest contribution for the military defence of the Empire. No other state pays more than a fifth of the subsidy for which Mysore is liable. The total area of all the States in India is 675,267 square miles, of which Mysore comprises 29,461 square miles, *i.e.*, 4·7 per cent. In point of population, while the total for all Indian States comes to 70,864,995 that of Mysore is 5,705,359, *i.e.*, about 8·2 per cent. As regards tribute, however, out of the total amount of Rs. 92 lakhs realised by the Government of India, Mysore pays 35 lakhs, *i.e.*, 40 per cent (*vide* enclosure A). These figures clearly show the disparity between Mysore and other Indian States, in the matter of their contribution to the common defence of the Indian Empire.

Indirect Contribution of Mysore to the Indian Treasury.

But the subsidy, heavy enough in itself, does not represent the full measure of Mysore's contribution towards the defence of the Indian Empire. The people of Mysore pay various taxes to the British Government in the form of salt tax, import duties, etc., the details of which are given in the following statement. These indirect contributions amount to Rs. 53 lakhs. The calculations have been carefully made by Mr. K. L. Datta (late of the Indian Finance Department) and may be relied upon as being approximately correct. The method of calculation is described below:—

Assuming that the consumption of salt is about the same as in the rest of India the amount paid by the people of Mysore for duty on salt, practicaliy the whole of which has to be imported into the State, comes to Rs. 14,28,840.

This disparity is rendered all the more glaring if it is realised that it is not based on any circumstances which are peculiar to Mysore which necessitate a differential treatment.

MEMORANDUM ON THE MYSORE SUBSIDY.

The History of the Subsidy.

By Article 2 of the Subsidiary Treaty of 1799, His Highness the Maharaja of Mysore agreed to pay the British Government an annual sum Rs. 7 lakhs of star pagodas, equivalent to 24½ lakhs of rupees in modern currency, in consideration of troops maintained by the British Government for the "defence and security of His Highness's dominions." It was further stipulated (Article 3) that in the event of hostilities being undertaken for the defence of the territories of either of the contracting parties, the Maharaja would contribute such a sum as might be considered just and reasonable by the Governor-General in Council. Thus the State of Mysore started with a recurring obligation to pay Rs. 24½ lakhs annually to the British Government and an occasional liability to participate in the expenses of defensive war, should any be undertaken.

Seven years afterwards, it was deemed expedient by the contracting parties that the provisions of the third Article of the Treaty "should be rendered more specific, and that instead of the said indefinite contributions in war, the Mysore State should maintain a certain body of Horse *in peace and war*," and accordingly the Treaty of 29th January 1807 was concluded providing that Mysore should maintain at all times a body of 4,000 effective Horse. When making this provision for the maintenance of 4,000 Horse, it was understood that 1,000 of them would be required for the internal protection of the country and that the remaining 3,000 would always be available to accompany the British Army on service outside Mysore Territory.

In effect, the Treaty of 1807, while purporting to give definiteness to the provisions of the previous treaty greatly enlarged pre-existing obligations. For an occasional indefinite liability to contribute to the expenses of defensive war, it imposed a continuing obligation to maintain a large standing army at all times, *i.e.*, both in peace and war. At the beginning of the 19th Century, when the condition of the country was still unsettled, and the prospect of war was an ever-present contingency, the maintenance of a large army in Mysore was perhaps no luxury. But with the establishment of the *Pax Britannica* throughout the Indian continent and the restoration of settled conditions in Southern India, a large and expensive military establishment became a needless and extravagant precaution.

It was for this reason, apparently, that during the administration of Mysore by the British Commission, the strength of the Cavalry was gradually reduced till it consisted of 1,000 Horse at the time of the Rendition in 1881.

The question of the Subsidy came up for consideration in 1867 when Her Majesty's Government decided to hand back the State to the Mysore Ruling Family. The Secretary of State for India, Sir Stafford Northcotte, wrote in his despatch to the Governor-General of India in Council, dated 16th April 1867, "As the cost of supporting troops has already increased since the date of the Subsidiary Treaty of 1799, it will obviously be necessary that the terms of that Treaty should be revised and some addition made to the subsidy. The great increase which has taken place in the resources of Mysore since 1799 will prevent such addition being felt as an additional burden." "The precise terms of the revision," it was added, "may be left to be settled when the young prince is put in possession of the Administration."

The question was accordingly considered on the eve of the Rendition, when for the first time the provisions of the Treaty of 1807 were revised and strictly enforced. It was calculated that the standing army which Mysore was required to maintain for external service (3,000 Horse) would have cost about 10½ lakhs per annum, and it was decided that this amount should be added to the annual Subsidy of Rs. 24½ lakhs, making in all Rs. 35 lakhs. This Subsidy, the Government of India wrote, "will discharge the State of its existing obligation to maintain a contingent for service outside its territory." These proposals were approved by Her Majesty's Government and embodied in the Instrument of Transfer. In sanctioning this arrangement, the Secretary of State, the Marquis of Hartington, wrote, "After careful consideration of the reasons adduced for fixing the future subsidy at the sum stated (Rs. 35 lakhs), Her Majesty's Government are disposed to agree that, having regard, on the one hand, to the liabilities undertaken by the British Government towards Mysore, and on the other hand, to the financial prospects of the province, the amount is not in excess of what may hereafter be reasonably demanded."

But the levy of the increased subsidy was ordered in the same letter to be postponed for a period of 5 years from the date of the Maharaja's accession. Attention may be invited in this connection to the letter from the Chief Commissioner to the Government of India, dated 17th December 1880, giving his opinion in regard to the increase, copy of which is enclosed (Enclosure A). In spite of Mr. Gordon's misgivings as to the capacity of the State to pay the increased subsidy, the Government of India ruled that the maximum amount should remain recorded in the Sannad.